

Message Text

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ACTION IO-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-02 RSC-01 PRS-01 SP-02 SS-15

USIA-15 AF-06 ARA-10 EA-10 EUR-12 NEA-09 ABF-01 OMB-01

TRSE-00 AID-05 EB-07 COME-00 CIEP-02 /129 W

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TO SECSTATE WASHDC 8920

UNCLAS SECTION 1 OF 2 USUN 252

E.O. 11652: N/A

TAGS: EAID, UNDP

SUBJ: 19TH UNDP GOVERNING COUNCIL PROGRAMME RESOURCES AND
COSTS OUTLOOK FOR 1977-1981 (ITEM 15),

REF: USUN 177, 180, 205, A-64

SUMMARY: WORKING GROUP ON MAJOR SUBJECT AGENDA ITEM STILL
IN SESSION, BUT THIS CABLE REPORTS ON 2 1/2 DAY PLENARY
DEBATE COMPLETED JANUARY 21, MAJOR ISSUES PERTAIN TO ANNUAL
RATE OF GROWTH OF RESOURCES FOR SECOND CYCLE (1977-81)
AND WHETHER RATE SHOULD BE TIED TO SOME LEVEL OF REAL
RESOURCE GROWTH. SOME MAJOR DONORS INSIST ON RATES OF
7.5-12.5 PERCENT INCREASE IN VOLUNTARY CONTRIBUTIONS,
WHILE SCANDINAVIA, NETHERLANDS AND LDC'S PREFER 15-20
PERCENT RANGE. SECONDLY, COUNCIL MEMBERS ENDORSED DOUBLING
OF GLOBAL PROJECTS TO 2 PERCENT OF DISTRIBUTED RESOURCES
AND MODERATE LEVEL FOR PROGRAM RESERVE. US DEL'S (FERGUSON)
EXTENSIVE STATEMENT SUMMARIZED PARAS 7 AND 8, END SUMMARY.

1. EXTENSIVE 2 1/2 DAY DISCUSSIONS ON THIS IMPORTANT POLICY
NOTE (DP/90) WERE INITIATED BY DEPUTY ADMINISTRATOR PATEL.
PATEL CONFIRMED THAT DP/90 WAS AT HEART OF SOME MAJOR POLICY
QUESTIONS THAT GOVERNING COUNCIL MUST RESOLVE BEFORE THE
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BEGINNING OF SECOND CYCLE IN 1977. HE PUSHED FOR FINAL

DECISION IN JANUARY 1976 IN ORDER TO PERMIT AMPLE LEAD TIME FOR FINALIZING ABSOLUTE IPF'S FOR THE SECOND CYCLE PERIOD. HE REQUESTED MOST PARTICULARLY AGREEMENT ON TWO IMPORTANT ISSUES: (1) DESIRED RATE OF GROWTH IN RESOURCES THAT WOULD ACT AS A SPUR TO COMMON AND EQUITABLE EFFORT AND (2) PROPORTIONS AND ELEMENTS OF THE PROGRAM IN RESPECT TO REGIONAL AND INTER-REGIONAL PROJECTS, PROGRAMME RESERVE, AGENCY OVERHEAD AND UNDP ADMINISTRATION. HE CONCLUDED AND ANALYSIS OF DESIRED RATE OF GROWTH OF RESOURCES BY INDICATING THAT APROPOSED 15 PERCENT RATE OF GROWTH IN VOLUNTARY CONTRIBUTIONS DID NOT SEEM TO BE UNWARRANTED OR UNDULY AMBITIOUS BOTH IN LIGHT OF LARGE NEED FOR TECHNICAL COOPERATION THAT REMAINS UNFULFILED TODAY AND IN VIEW INFLATIONARY PRESSURES WHICH ARE UNDOUBTEDLY WELL OVER 6 PERCENT CURRENTLY AND COULD BE AT MUCH HIGHER LEVEL THROUGHOUT SECOND CYCLE. IN RESPECT TO COUNTRIES BECOMING ELIGIBLE FOR AN IPF FOR FIRST TIME, HE SOUGHT GUIDANCE AS TO APPROPRIATE CRITERIA FOR ALLOCATION AS WELL AS FOR THE SIZE AND MANNER OF ALLOCATING UNDISTRIBUTED IPF'S FOR CERTAIN COUNTRIES AND TERRITORIES. ON THE SENSITIVE ISSUE OF MAINTAINING A FIXED LEVEL OF IPF'S FOR ALL COUNTRIES ABOVE \$500 PER CAPITA INCOME, HE SUGGESTED COUNCIL MIGHT CONSIDER THEIR NEW IPF AS EQUIVALENT TO THEIR 1972-1977 IPF, BUT ON A REAL RESOURCE BASIS. HE ESTIMATED THAT TO DO THIS \$80-90 MILLION IN ADDITION WOULD BE REQUIRED TO ACCOUNT FOR THE EFFECT OF INFLATION ON PROPOSED SECOND CYCLE IPF'S OF WEALTHIER RECIPIENTS.

2. COUNTRY INTERVENTIONS WERE INITIATED BY FRG (MOLTRECHT). IN GENERAL FRG SUPPORTS CONCEPT OF REAL RESOURCE GROWTH FOR SECOND CYCLE BUT FRG CANNOT IDENTIFY OR PLEDGE A SPECIFIC RATE OF ANNUAL INCREASE IN THE RESOURCES FOR THE SECOND CYCLE. FRG IS INCREASINGLY CONFRONTED WITH PRESSURES TO EMBARK ON BILATERAL TECHNICAL ASSISTANCE, BUT IT IS STILL NATIONAL POLICY TO PROGRAM ALMOST ALL TECHNICAL ASSISTANCE THROUGH CONTRIBUTIONS TO UNDP. JAPAN DEL SUGGESTED THAT ANY REFERENCE TO AGREEMENT ON RESOURCE GROWTH RATE WOULD BE PREMATURE UNTIL THE 20TH SESSION AT THE EARLIEST, WHILE FINLAND STRESSED CONCEPT OF A NOMINAL GROWTH RATE THE TOOK MORE FULLY INTO ACCOUNT IMPACT OF INFLATION. FINLAND UNCLASSIFIED

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TENDED TO FEEL UNDP WAS STRESSING QUANTITATIVE DELIVERY AND AVOIDING PROPER EVALUATION OF QUALITATIVE ASPECTS OF UNDP ASSISTANCE. NEVERTHELESS FINLAND WOULD BE PREPARED TO SUPPORT 15 PERCENT RATE OF RESOURCE GROWTH.

3. IN ADDITION TO FRG, JAPAN AND FINLAND, 29 OTHER DELEGATIONS SPOKE, SOME AT LENGTH, ON DP/90 AND INITIAL COMMENTS OF DEPUTY ADMINISTRATOR PATEL. SWEDEN ANNOUNCED

AN INCREASE IN ITS CONTRIBUTION BY 23 PERCENT FOR 1075
OVER 1974, IE. \$52 MILLION IN CY 1975. SWEDEN ANNOUNCED ALSO
ITS FIRST CONTRIBUTION OF \$2.4 MILLION TO UNCDF. SWEDEN
DELEGATION ALSO MADE REFERENCE TO USE OF UNCOMMITTED PORTION OF
VIETNAM'S IPF (ESTIMATED AT \$3 MILLION) TO BE TURNED OVER
TO UNHCR AND UNICEF FOR THE BALANCE OF THE FIRST PROGRAMMING
CYCLE. SWEDEN STATEMENT AND US. RESPONSES REPORTED REFTEL.

4. DENMARK PLEDGE TO SECOND CYCLE (1977-81) WAS LESS
ENCOURAGING AND DELEGATION DECLARED DENMARK UNABLE TO
SIGNIFICANTLY INCREASE ITS ALREADY SIZEABLE CONTRIBUTION
TO UNDP IN THE NEXT CYCLE. DENMARK HAS MAINTAINED 15 PERCENT
GROWTH RATE DURING FIRST CYCLE AND ITS CONTRIBUTION REPRESENTS
NEARLY TEN PERCENT OF TOTAL UNDP RESOURCES.

5. UK REFERRED SPECIFICALLY TO RECENT CHANERY ARTICLE ON
WORLDWIDE INFLATION AND CAUTIONED THE COUNCIL NOT TO APPLY
SURPLUS FUNDS DURING THE PRESENT FIRST CYCLE TO COMBAT
THE INFLATIONARY PRESSURES ON THE COST OF UNDP INPUTS.
UK DID SUGGEST THAT DURING THE SECOND CYCLE A CONTRIBUTIONS
GROWTH RATE OF NOTE MORE THAN 12.5 PERCENT SHOULD BE
THE UPPER LIMIT FOR COUNCIL CONSIDERATION AND THAT THIS WOULD
BE ABLE TO ACCOMMODATE A GROWTH OF REAL RESOURCES OF ABOUT
3 PERCENT BASED ON A PROJECTED ASSUMPTION OF A 6
PERCENT PER YEAR INCREASE IN PRICES THROUGHOUT THE 1977-81
PERIOD.

6. US. DEL (FERGUSON) PRESENTED A POINT BY POINT ANALYSIS
OF DP/90 PRECEDED BY A STRONG STATEMENT ON MEANING OF
"UNIVERSALITY". HE SUGGESTED THAT GOVERNING COUNCIL ADOPT
A DEFINITION OF UNIVERSALITY AS MEANING THAT ALL MEMBERS
OF THE UN ARE DEVOTED TO UNIVERSAL SUPPORT FOR THE GOALS
AND PURPOSES OF SOCIO-ECONOMIC DEVELOPMENT AND THAT UNDP
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SHOULD PLAY A SIGNIFICANT LEADERSHIP ROLE IN THIS PROCESS.
ALL COUNTRIES SHARE THIS AMBITIOUS UNDERTAKING, I.E., A
TRUE UNIVERSALITY OF CONCERN FOR CONDITION OF POOR AND LESS
DEVELOPED COUNTRIES. A COUNTRY CAN STILL PARTICIPATE ACTIVELY
IN SUPPORT OF UNDP AND NOT BE A DIRECT BENEFICIARY OF
UNDP FUNDING. US. DEL SUGGESTED STRONGLY THAT RENEWED
EFFORTS BY COUNCIL AND ADMINISTRATOR ARE NEEDED TO FOCUS
AN EVEN LARGER PORTION OF SECONC CYCLE RESOURCES ON 50-70
POOREST COUNTRIES IN THE WORLD AND THAT EVERY EFFORT SHOULD
BE MADE TO GRADUATE 20-30 COUNTRIES FROM DEPENDENCE ON UNDP
RESOURCES, FOLLOWING VOLUNTARY LEAD OF SPAIN AND ISRAEL.
US. DEL INDICATED GRADUATED COUNTRIES NEED NOT DISCONTINUE
ALL UNDP ASSISTANCE, BUT THAT COST-REIMBURSABLE ARRANGEMENTS
WOULD FREE UP AND RELEASE THEIR SECOND CYCLE IPF'S FOR
THOSE COUNTRIES NOW DEPENDENT UPON UNDP RESOURCES.

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ACTION IO-10

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7. ON POINT-BY-POINT ANALYSIS OF DP/90, US DEL NOTED THAT MANY COUNTRIES ARGUED FOR 15 PERCENT ANNUAL INCREASE IN VOLUNTARY CONTRIBUTIONS. US. PROPOSED, IN ADDITION TO 15 PERCENT RATE, ILLUSTRATIVE RATES OF 10 AND 12.5 PERCENT (EQUIVALENT OF ABOUT 11 PERCENT INCREASE IN TOTAL RESOURCES) BE INCLUDED IN ILLUSTRATIVE CALCULATIONS FURNISHED BOTH 20TH AND 21ST SESSIONS. US DEL ALSO MADE PERFECTLY CLEAR THAT ANY CHOSEN RESOURCE GROWTH RATE IS FOR PURPOSES OF CALCULATION ONLY AND SHOULD NOT IMPLY A COMMITMENT BY EACH INDIVIDUAL GOVERNMENT. SECONDLY, US. CHALLENGED CONCEPT OF DP/90 THAT ONLY WAY TO MAINTAIN DYNAMIC UNDP PROGRAM WAS THROUGH SUBSTANTIAL INCREASE IN RESOURCES. THIS DID NOT TAKE INTO ACCOUNT THE POSSIBILITY OF TRANSFERING RESOURCES FROM RICH TO POOR AND THEREBY INCREASING REAL RESOURCES SUBSTANTIALLY TO POOR COUNTRIES AND BY EMPLOYING MORE INNOVATIVELY AND EFFECTIVELY UNDP INPUTS THAN ONGOING UNDP PROGRAMS. US. DEL REJECTED CONCEPT THAT DYNAMIC UNDP PROGRAM COULD ONLY BE MAINTAINED BY SUBSTANTIAL ANNUAL INCREASE IN RESOURCES. THIRDLY, US. STRESSED UNEQUIVOCALLY THAT IPF'S FOR WEALTHIER UNDP RECIPIENTS DURING SECOND CYCLE, I.E., COUNTRIES WITH PER CAPITAL GNP OVER \$500, SHOULD BE FROZEN AT THAT LEVEL IN CURRENT PRICES. THIS WAS PART OF SPIRIT OF COMPROMISE AT 17TH SESSION IN GENEVA AND IT WAS NECESSARY TO FOCUS THAT BULK OF RESOURCES ON POOREST COUNTRIES

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DURING SECOND CYCLE. FOURTHLY, US. SUPPORTED A DOUBLING OF UNDP RESOURCES FOR GLOBAL PROGRAMS AND SUGGESTED PROGRAM RESERVE IN SECOND CYCLE SHOULD BE KEPT AT MODERATE LEVEL AND FOCUSED ON BAREST CONTINGENCY ASSENTIALS. FIFTHLY, US. CHALLENGED NEED FOR \$120 MILLION FOR UNDISTRIBUTED IPF'S IN SECOND CYCLE. THE FELT THAT SUCH IPF RESOURCES SHOULD BE DISTRIBUTED ON THE BASIS OF PERCAPITA INCOME AND POPULATION. FYI. UNDP SECRETARIAT AFTER SESSION INDICATED INFORMALLY HAT THERE IS GROWING PRESSURE FOR ASSISTANCE TO NORTH KOREA, NORTH VIETNAM AND A NUMBER OF OTHER AREAS THAT HAVE NOT RECEIVED FORMAL IPF'S. THEY FELT THIS WAS BEST WAY TO RESERVE RESOURCES WITHOUT RAISING QUESTION OF SENSITIVE POLITICAL NATURE. END FYI. SIXTHLY, US. DEL PROPOSED THAT INSTEAD OF ELIMINATING ASSESSED PROGRAM COSTS PAID BY RECIPIENT GOVERNMENTS, EXCEPT THE LEAST DEVELOPED AND CERTAIN OTHER PORRT COUNTRIES, THE ASSESSED PROGRAM COSTS SHOULD BE ON A GRADUATING SCALE WITH AT LEAST CURRENT 8 PERCENT PAID BY COUNTRIES UNDER \$500 PER CAPITAL GNP AND UP TO 20 PERCENT BY THOSE OVER THAT LEVEL. IN THE CASE OF THE WEALTHIER RECIPIENTS THIS AGAIN WOULD BE ANOTHER DISINCENTIVE FOR CONTINUING TO RECEIVE ASSISTANCE FUNDED BY UNDP. SEVENTHLY, ON AGENCY OVERHEAD AND UNDP SUPPORT COSTS PROJECTIONS, US. SUPPORTED ADMINISTRATOR'S ANALYSIS.

8. COUNCIL DECISION ON SUBJECT ITEM HUNG UP BY CUBAN INSISTENCE IN OPEN-ENDED WG THAT DECISION REFER TO NEED FOR REAL GROWTH IN RESOURCES. MAJOR DONORS FIRM ON POSITION THAT REALISTIC ESTIMATES OF INFLATION RATE THROUGH 1981 IMPOSSIBLE TO PROJECT AT THIS TIEM. THEREFORE, REFERENCE TO A SPECIFIC REAL GROWTH RATE MEANINGLESS.
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